

STATE OF WASHINGTON



OFFICE OF
INSURANCE COMMISSIONER

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)	
LUMBERMEN'S MUTUAL CASUALTY))	No. D03-18 INSURANCE
COMPANY, An Authorized))	
Insurer.))	CONSENT ORDER
)	IMPOSING A FINE
)	

FINDINGS OF FACT:

1. Lumbermen's Mutual Casualty Company ("Lumbermen's") is an authorized insurer in the State of Washington.
2. On August 14, 2002, a vice president of Lumbermen's wrote to the Senior Actuary at the Office of the Insurance Commissioner (OIC) to notify the OIC that Lumbermen's had inadvertently implemented a rate approximately 20% higher than authorized, for 99 insureds on a policy of errors & omissions (E&O) insurance for architects and engineers. The vice president of Lumbermen's said that the company had already begun corrective action by re-rating the coverage and would promptly refund the overcharges to its insureds.
3. A staff attorney employed by the OIC wrote in response to Lumbermen's, requiring that interest be paid on the refunded overcharge, in the amount of 5% annual rate. In addition, the OIC required Lumbermen's to offer coverage at the correct rate to those policyholders who, after being notified of the rate which turned out to be an overcharge, had dropped their coverage with Lumbermen's. The insurer promptly complied with these requests from the OIC.

CONCLUSION OF LAW:

1. In using a rate other than a filed rate for this book of E&O insurance for architects and engineers, Lumbermen's violated RCW 48.19.040(6), which provides that "Where a filing is required no insurer shall make or issue an insurance contract or policy except in accordance with its filing then in effect, except as provided by RCW 48.19.090."

CONSENT TO ORDER:

1. Lumbermen's Mutual Casualty Insurance Company stipulates to the foregoing Findings of Fact and Conclusion of Law and consents to this order, which imposes a fine of \$10,000 upon Lumbermen's, of which amount half (\$5000) is to be paid within thirty days of the entry of this order. Failure to pay that unsuspended amount timely and in full will constitute grounds for the suspension or revocation of the insurer's certificate of authority in the state of Washington. It will also result in a civil action for recovery of the fine by the Attorney General of the state of Washington, on behalf of the Insurance Commissioner.

2. The Insurance Commissioner will suspend the remaining \$5000 for five years, upon condition that Lumbermen's not repeat the violation of RCW 48.19.040(6) within the period of five years from the date of entry of this order. If Lumbermen's repeats its violation of RCW 48.19.040(6) within that time, the suspended \$5000 will be immediately due and payable, in addition to any other sanctions or penalties arising from the subsequent violation or violations. If Lumbermen's does not repeat its violation of RCW 48.19.040(6) during that time, the Insurance Commissioner will waive the suspended \$5000 at the end of the five-year period.

3. Lumbermen's also stipulates to comply with all applicable statutes and regulations of the state of Washington, including but not limited to filing statutes and regulations.

LUMBERMEN' S MUTUAL CASUALTY INSURANCE COMPANY

Printed Name _____
Printed Corporate Title _____
Date of Signature 02-11-03

ORDER:

Pursuant to RCW 48.05.185, the Insurance Commissioner imposes a fine of \$10,000 (ten thousand dollars and no/100) upon Lumbermen's Mutual Casualty Company, subject to the following conditions: the sum of \$5000 (five thousand dollars and no/100) will be payable in full by not later than thirty days after the entry of this order. Failure to pay that amount timely and in full will constitute grounds for the suspension or revocation of the certificate of authority held by Lumbermen's in the state of Washington. It will also result in a civil action for recovery of the fine by the Attorney General of the state of Washington, in behalf of the Insurance Commissioner.

The Insurance Commissioner will suspend payment of the second \$5000 (five thousand dollars and no/100) for the period of five years from the entry of this order, on

condition that the insurer not repeat the offense of violating RCW 48.19.040(6) during that time. If the insurer does not repeat the offense, the Insurance Commissioner will waive the suspended \$5000 (five thousand dollars and no/100) at the end of that time. But if Lumbermen's does repeat the offense of violating RCW 48.19.040(6) during that five-year period, then the suspended \$5000 will be immediately due and payable, in addition to any other and additional fines or sanctions arising from the subsequent violation, or violations, of RCW 48.19.040(6).

DATED This 18th day of February, 2003.

MIKE KREIDLER
Insurance Commissioner

William Kirby
Legal Affairs Division